中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2013 was RMB4,511.4 million, representing a decrease of 8.1% as compared to the same period in 2012.
- Coal handling and trading volume for the six months ended 30 June 2013 was 10.2 million tonnes, representing an increase of 21.7% as compared to the same period in 2012.
- Gross profit margin for the six months ended 30 June 2013 decreased to 11.7% because of the decrease of gross profit margin in coal trading which was partially offset by the increased gross profit margin generated from the sales of self-produced coal.
- Net profit of the Company for the six months ended 30 June 2013 was RMB22.4 million, representing a decrease of 81.9% as compared to the same period in 2012. The decrease in net profit of the Company was principally due to the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements during the period in total amount of RMB116.0 million, as disclosed in the Company's announcement dated 1 July 2013, and the continuous decreases in the prices of and the demand for thermal coal in China.

PROPOSED CASH INTERIM DIVIDEND

- The Directors propose an interim cash dividend of HK cent 1.0 per Share in the aggregate amount of HK$20.8 million.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013 with comparative figures for the corresponding period in 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Turnover	*4*	**4,511,411**	4,907,331
Cost of sales		**(3,983,026)**	(4,200,519)
Gross profit		**528,385**	706,812
Other income	*5*	**1,151**	5,366
Distribution expenses		**(65,183)**	(93,571)
Administrative expenses		**(123,382)**	(134,479)
Other expenses		**(120,877)**	(97,042)
Results from operating activities		**220,094**	387,086
Finance income		**35,995**	16,072
Finance costs		**(273,204)**	(256,417)
Net finance costs	*6(a)*	**(237,209)**	(240,345)
Share of loss of associates		**(2,170)**	(2,147)
(Loss)/profit before taxation	*6*	**(19,285)**	144,594
Income tax expense	*7*	**41,719**	(20,908)
Profit for the period		**22,434**	123,686
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(12,211)**	3,292
Other comprehensive (loss)/income for the period (after tax and reclassification adjustment)		**(12,211)**	3,292
Total comprehensive income for the period		**10,223**	126,978
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(30,118)**	101,164
Non-controlling interests		**52,552**	22,522
Profit for the period		**22,434**	123,686
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		**(42,329)**	104,456
Non-controlling interests		**52,552**	22,522
Total comprehensive income for the period		**10,223**	126,978
(Loss)/earnings per share			
Basic (loss)/earnings per share (RMB)	*8(a)*	**(0.01)**	0.05
Diluted (loss)/earnings per share (RMB)	*8(b)*	**(0.01)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2013

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment		**5,069,412**	4,662,712
Coal mining rights		**4,998,114**	4,479,614
Lease prepayments		**129,518**	129,588
Investments in associates		**93,734**	57,485
Deferred tax assets		**188,496**	56,373
		10,479,274	9,385,772
Current assets			
Inventories		**796,299**	506,119
Trade and bills receivable	*9*	**2,628,519**	3,703,237
Prepayments and other receivables	*10*	**2,014,089**	1,759,774
Pledged deposits		**1,726,581**	1,641,244
Cash and cash equivalents		**719,034**	1,190,541
		7,884,522	8,800,915
Current liabilities			
Loans and borrowings	*11*	**(6,102,173)**	(5,103,416)
Trade and bills payable	*12*	**(1,886,704)**	(3,353,794)
Other payables	*13*	**(2,014,279)**	(1,971,384)
Current taxation		**(404,105)**	(310,872)
		(10,407,261)	(10,739,466)
Net current liabilities		**(2,522,739)**	(1,938,551)
Total assets less current liabilities		**7,956,535**	7,447,221
Non-current liabilities			
Deferred tax liabilities		**(1,129,819)**	(1,158,344)
Other payables	*13*	**(137,530)**	(153,516)
Loans and borrowings	*11*	**(2,761,652)**	(2,169,967)
Accrued reclamation obligations		**(79,257)**	(76,728)
		(4,108,258)	(3,558,555)
Net assets		**3,848,277**	3,888,666
Capital and reserves			
Share capital		**176,266**	176,266
Perpetual subordinated convertible securities		**156,931**	156,931
Reserves		**2,205,937**	2,298,878
Total equity attributable to equity shareholders of the Company		**2,539,134**	2,632,075
Non-controlling interests		**1,309,143**	1,256,591
Total equity		**3,848,277**	3,888,666

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**The Stock Exchange**") on 3 July 2009. This interim financial report of the Company for the six months ended 30 June 2013 comprises the Company and its subsidiaries.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, Interim financial reporting, issued by the International Accounting Standards Board ("**IASB**").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in Note 4.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

3 ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three major reportable segments – coal business, shipping transportation and port business – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "**CEO**") reviews internal management reports on a monthly basis.

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is adjusted profit before net finance costs and taxes. Items not specifically attributable to individual segments, such as unallocated head office and corporate administration costs are further adjusted.

Segment assets include all tangible assets, coal mining rights and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable and other payables attributable to activities of the individual segments and loans and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

	Coal business		Shipping transportation		Port business		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June								
Turnover from external customers	**4,455,654**	4,798,553	**55,757**	108,778	**–**	–	**4,511,411**	4,907,331
Inter-segment turnover	**–**	–	**90,102**	165,771	**–**	–	**90,102**	165,771
Reportable segment turnover	**4,455,654**	4,798,553	**145,859**	274,549	**–**	–	**4,601,513**	5,073,102
Reportable segment profit/(loss) before taxation	**356,407**	405,133	**(135,706)**	(9,481)	**–**	–	**220,701**	395,652
Impairment loss of vessels under construction	**–**	–	**116,014**	–	**–**	**–**	**116,014**	–
Reportable segment assets as at 30 June 2013/ 31 December 2012	**16,365,529**	16,277,268	**1,314,744**	1,503,358	**1,361,813**	931,867	**19,042,086**	18,712,493
(including investments in associates)	**93,734**	57,485	**–**	–	**–**	–	**93,734**	57,485
Reportable segment liabilities as at 30 June 2013/ 31 December 2012	**(12,473,805)**	(12,148,577)	**(1,256,248)**	(1,311,527)	**(842,813)**	(587,548)	**(14,572,866)**	(14,047,652)

(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities

Turnover

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Reportable segment turnover	**4,601,513**	5,073,102
Elimination of inter-segment turnover	**(90,102)**	(165,771)
Consolidated turnover	**4,511,411**	4,907,331

Profit

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Reportable segment profit before taxation	**220,701**	395,652
Elimination of inter-segment loss/(profit)	**3,041**	(2,454)
Unallocated head office and corporate expenses	**(5,818)**	(8,259)
Net finance costs	**(237,209)**	(240,345)
Consolidated (loss)/profit before taxation	**(19,285)**	144,594

Assets

	At 30 June	At 31 December
	2013	2012
	RMB'000	*RMB'000*
Reportable segment assets	**19,042,086**	18,712,493
Elimination of inter-segment receivables and inventories	**(247,551)**	(202,943)
Elimination of receivables from head office	**(619,934)**	(456,443)
Deferred tax assets	**188,496**	56,373
Unallocated assets	**699**	77,207
Consolidated total assets	**18,363,796**	18,186,687

Liabilities

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Reportable segment liabilities	**14,572,866**	14,047,652
Elimination of inter-segment payables	**(400,704)**	(202,709)
Elimination of payables to head office	**(1,240,142)**	(1,016,162)
Current tax liabilities	**404,105**	310,872
Deferred tax liabilities	**1,129,819**	1,158,344
Unallocated liabilities	**49,575**	24
Consolidated total liabilities	**14,515,519**	14,298,021

5 OTHER INCOME

	Six months ended 30 June 2013 *RMB'000*	2012 *RMB'000*
Government grants (see Note (i))	**565**	2,715
Gain on derivatives	**–**	2,093
Others	**586**	558
	1,151	5,366

(i) The Group received unconditional grants from local government during the period as recognition of the Group's contribution to the development of local economy.

6 PROFIT BEFORE TAXATION

Profit before tax is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June 2013 *RMB'000*	2012 *RMB'000*
Interest income	**(21,093)**	(16,072)
Net foreign exchange gain	**(14,902)**	–
Finance income	**(35,995)**	(16,072)
Interest on borrowings	**291,942**	252,820
Less: interest capitalised into property, plant and equipment	**(53,636)**	(25,177)
	238,306	227,643
Bank charges	**34,898**	19,649
Net foreign exchange loss	**–**	9,125
Finance costs	**273,204**	256,417
Net finance costs	**237,209**	240,345

(b) **Other items**

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Operating lease charges on premises	**3,566**	2,739
Depreciation for property, plant and equipment	**86,460**	91,331
Amortisation of lease prepayments	**70**	70
Amortisation of coal mining rights	**32,538**	29,270
Net realised and unrealised gain on derivatives	**–**	870
Impairment loss on inventory	**3,152**	13,261
Impairment loss of vessels under construction	**116,014**	–

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax		
– PRC corporate income tax	**139,174**	135,400
– Overprovision of PRC corporate income tax in prior years	**(20,245)**	(60,562)
Deferred taxation		
– Origination and reversal of temporary differences	**(160,648)**	(53,930)
	(41,719)	20,908

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries incorporated in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period.

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the period.

(iv) The provision for the PRC corporate income tax was based on the statutory rate of 25% of the assessable profits of subsidiaries which carried on businesses in the PRC.

(v) Pursuant to the Corporate Income Tax Law of the PRC, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2013, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB1,089,990,000 (31 December 2012: RMB1,036,814,000). Deferred tax liabilities of RMB54,499,500 (31 December 2012: RMB51,841,000) have not been recognised in respect of the tax that would be payable upon the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

(vi) A subsidiary of the Group made provisions for PRC corporate income tax of RMB20,245,000 in previous years. The Group implemented a business plan to enhance the subsidiary's operations and the Directors believed that the likelihood of utilization of this PRC corporate income tax provision had become remote and therefore had decided to release it to profit or loss.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2013 is based on the (loss)/profit attributable to equity shareholders of the Company of RMB30,118,000 (six months ended 30 June 2012: profit of RMB101,164,000) and the weighted average of 2,075,120,000 ordinary shares (six months ended 30 June 2012: 2,075,120,000) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the six months ended 30 June 2013 is based on the (loss)/profit attributable to equity shareholders of the Company of RMB30,118,000 (six months ended 30 June 2012: profit of RMB101,164,000) and the weighted average number of 2,045,942,000 (six months ended 30 June 2012: 2,075,120,000) ordinary shares (diluted).

9 TRADE AND BILLS RECEIVABLE

All of the trade and bills receivable are expected to be recovered within one year.

An ageing analysis of trade and bills receivable of the Group is as follows:

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Within 2 months	**1,418,768**	3,577,099
Over 2 months but within 6 months	**150,420**	29,500
Over 6 months but within 1 year	**1,059,331**	96,638
	2,628,519	3,703,237

Credit terms granted to customers mainly range from 0 to 60 days depending on the customers' relationship with the Group, their creditworthiness and past settlement record.

The ageing is counted from the date when trade and bills receivable are recognized.

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Deposits and prepayments for equity investments	**–**	345,989
Other deposits and prepayments (see Note (i))	**1,079,003**	638,126
Amounts due from non-controlling shareholders	**803,783**	699,636
Other non-trade receivables	**131,303**	76,023
	2,014,089	1,759,774

(i) Other deposits and prepayments mainly represent the deposits and prepayments for coal business operation.

11 LOANS AND BORROWINGS

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current			
Secured bank loans and bank advances	*(i)*	**5,182,421**	3,874,893
Unsecured bank loans and bank advances	*(ii)*	**196,344**	380,512
Current portion of non-current secured bank loans	*(iii)*	**723,408**	848,011
		6,102,173	5,103,416
Non-current			
Secured bank loans	*(iii)*	**2,761,652**	2,169,967
		8,863,825	7,273,383

(i) Current bank loans and bank advances bear interest at rates ranging from 1.30% to 8.52% per annum as at 30 June 2013 (31 December 2012: 1.21% to 8.00% per annum). Current secured bank loans and bank advances were secured by the following assets:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Property, plant and equipment	**463,943**	482,527
Inventories	**286,000**	283,760
Trade and bills receivable	**88,785**	–
Pledged deposits	**1,373,121**	1,247,064

RMB661,530,000 (31 December 2012: RMB750,000,000) of the current secured bank loans and bank advances were guaranteed by a related party in addition to being pledged by the above assets.

(ii) Unsecured bank loans and bank advances bear interest at rates ranging from 2.82% to 6.20% per annum as at 30 June 2013 (31 December 2012: 1.21% to 7.30% per annum).

(iii) Non-current secured bank loans as at 30 June 2013 were pledged by pledged deposits of RMB14,829,000 (31 December 2012: RMB15,085,000), property, plant and equipment with carrying amounts of RMB1,431,266,000 (31 December 2012: RMB1,190,822,000), coal mining rights with carrying amounts of RMB4,699,938,000 (31 December 2012: RMB4,196,958,000), the Group's equity interest in Shanxi Huameiao Energy Group Co., Ltd. ("**Huameiao Energy**"), Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("**Xingtao Coal**"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. ("**Fengxi Coal**"), Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("**Chongsheng Coal**"), Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. ("**Xinglong Coal**") and Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. ("**Hongyuan Coal**"), and guaranteed by a related party.

Non-current secured bank loans as at 30 June 2013 bear the following variable interest rates:

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
(1) 30% premium on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings ("**5-year interest rate of PBOC**")	**500,000**	500,000
(2) USD best lending rate plus 1.5%	**167,335**	180,425
(3) 20% premium on the 5-year interest rate of PBOC	**780,000**	810,000
(4) 5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	**533,700**	474,700
(5) 5-year interest rate of PBOC	**355,000**	430,000
(6) 15% premium on the 3-year interest rate of PBOC	**–**	309,790
(7) 30% premium on the 3-year interest rate of PBOC	**20,833**	33,333
(8) Fixed rate: 8.32%	**210,000**	270,000
(9) 3% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	**8,634**	9,730
(10) 13.82% premium on the 3-year interest rate of PBOC	**300,000**	–
(11) 38% premium on the 3-year interest rate of PBOC	**600,000**	–
(12) 4% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	**9,558**	–
	3,485,060	3,017,978

The Group's non-current bank loans were repayable as follows:

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Within 1 year	**723,408**	848,011
Over 1 year but within 2 years	**857,575**	722,496
Over 2 years but within 5 years	**1,303,292**	894,327
Over 5 years	**600,785**	553,144
	2,761,652	2,169,967
	3,485,060	3,017,978

12 TRADE AND BILLS PAYABLE

Credit terms granted to the Group by its suppliers ranged from 0 to 30 days. An ageing analysis of trade and bills payable of the Group is as follows:

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Within 1 month	**768,895**	2,682,899
Over 1 month but within 3 months	**368,571**	291,159
Over 3 months but within 6 months	**61**	367,000
Over 6 months but within 1 year	**739,677**	3,183
Over 1 year but within 2 years	**9,500**	9,553
	1,886,704	3,353,794

13 OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current		
Other taxes payable	**270,109**	231,335
Receipts in advance	**90,701**	100,236
Construction cost payables	**603,321**	554,669
Accrued expenses	**184,808**	167,041
Factoring payable (see Note (i))	**–**	366,888
Deposits received	**180,000**	200,000
Coal mine administrative charges	**114,208**	136,461
Employee benefits	**68,805**	61,500
Coal mining rights payable (see Note (ii))	**383,677**	30,200
Other miscellaneous payables	**118,650**	123,054
	2,014,279	1,971,384
Non-current		
Payables for coal mining rights (see Note (iii))	**137,530**	153,516
	2,151,809	2,124,900

(i) It mainly represents payments received from customers when the related trade receivables were still being factored to banks.

(ii) It mainly represented the payable for the acquisition of coal mining rights of Xinglong Coal and Hongyuan Coal.

(iii) Payables for coal mining rights represent payables related to coal mining rights of Shanxi Hun Yuan Ruifeng Coal Co., Ltd. ("**Ruifeng Coal**"), Xingtao Coal, Fengxi Coal and Chongsheng Coal upon the local government's request. These payables will be settled in accordance with payment schedules set out in the agreements signed between the local government and the Group in 2012.

14 DIVIDEND

Dividend payable to equity shareholders attributable to the interim period:

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Interim dividend declared after the interim period of HK cent 1.0 per Share (six months ended 30 June 2012: HK cents 2.0 per Share)	**16,533**	33,878

The interim dividend has not been recognised as a liability at the reporting date.

15 CAPITAL COMMITMENTS

Capital commitments outstanding as at the period/year end but not provided for in the interim financial report are as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Contracted for	**977,526**	1,445,681

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading non-State owned thermal coal supplier in China, and operates an integrated coal supply chain, including coal mining, purchase and sale, filtering, storage, blending, shipping transportation and port business. During the six months ended 30 June 2013, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upstream vertical integration. The following sets forth detailed analysis of the principal components of the operating results of the Group:–

Revenue and coal handling and trading volume

	Six months ended 30 June	
	2013	2012
Coal handling and trading *(RMB'000)*	**4,455,654**	4,798,553
Coal handling and trading *('000 tonnes)*	**10,177**	8,364

During the six months ended 30 June 2013, the Group's coal production capacity increased substantially. The increase was principally due to the increase in the coal produced by Huameiao Energy, the commencement of production of Hongyuan Coal and the increased efficiency of the entire coal supply chain operated by the Group. Hence, the Group achieved a significant growth in the coal handling and trading volume during the six months ended 30 June 2013, as compared with the same period in 2012. The coal handling and trading volume of the Group was 10,177,000 tonnes, representing an increase of 1,813,000 tonnes or 21.7% as compared to the same period in 2012.

However, the average monthly selling prices of coal during the six months ended 30 June 2013 were in the range between RMB406 per tonne and RMB468 per tonne, which were lower than the average monthly selling prices between RMB488 per tonne and RMB635 per tonne during the same period in 2012. The decrease was principally because of the slow down in the growth of the overall demand for coal in China during the six months ended 30 June 2013, which was a result of the uncertainties in the global economic development and the slow growth in the manufacturing sector in the PRC.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2012 and the six months ended 30 June 2012 and 2013 are set forth in the table below:

	Six months ended 30 June		Year ended 31 December		
	2013	2012	2012	2011	2010
Average selling price *(RMB per tonne)*	**438**	574	494	618	579
Average monthly handling and trading volume *('000 tonnes)*	**1,696**	1,394	1,841	1,327	910

Revenue and shipping transportation

The segment turnover for shipping transportation from external customers for the six months ended 30 June 2013 was RMB55.8 million, representing a decrease of RMB53.0 million or 48.7% from RMB108.8 million for the same period in 2012. The decrease in turnover was primarily due to decreased freight shipping rates as compared with the same period in 2012.

Gross profit margin and gross profit

The Group's gross profit decreased by RMB178.4 million during the six months ended 30 June 2013 to RMB528.4 million from RMB706.8 million during the same period in 2012. The gross profit margin of the Group during the six months ended 30 June 2013 decreased to 11.7% from 14.4% during the same period in 2012. The decrease was principally due to the decreased gross profit margin in coal trading which was partially offset by the high gross profit margin generated from the sales of self-produced coal. However, the gross profit margin of self-produced coal improved from 47.6% to 66.4% because the Group has carried out certain cost reduction plans on the production cycle.

Other income

During the six months ended 30 June 2013, the Group's other income amounted to RMB1.2 million, representing a decrease of RMB4.2 million or 77.8% as compared with RMB5.4 million during the same period in 2012. The decrease was mainly due to the absence of gain on derivatives, which amounted to RMB2.1 million during the same period in 2012. During the six months ended 30 June 2013, the Group received unconditional grant of RMB0.6 million from the local government in the PRC, as compared with the government grant of RMB2.7 million during the same period in 2012.

Net finance cost

Net finance cost of the Group during the six months ended 30 June 2013 amounted to RMB237.2 million, representing a decrease of RMB3.1 million or 1.3% from RMB240.3 million during the same period in 2012. The decrease was principally due to the net foreign exchange gain and the increase in interest income during the period, which was partially offset by the increase in the finance cost due to the increase in the use of working capital and trade financing to support the increase in the coal handling and trading volume of the Group.

Net profit for the period

Net profit for the six months ended 30 June 2013 was RMB22.4 million, representing a decrease of 81.9% as compared to the same period in 2012. The decrease was principally due to the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements during the period. The decrease during the six months ended 30 June 2013 was also attributable to the decrease in the price of and the demand for thermal coal in China and the strong hydro-power production during the period. The decreases in the selling prices and the level of demand for thermal coal in China were due to the overall decreasing demand for electricity from manufacturing sector in China.

BUSINESS REVIEW

As the economic development in China encounters various factors including the current downturn in the global economy and the structural adjustment of the domestic economy, the gross domestic product of China posted a year-on-year growth of 7.7% during the first half of 2013, which was slightly lower than the market expectation. During the six months ended 30 June 2013, the coal inventory of power plants, cement plants and ports in China has maintained relatively high level. The price of thermal coal in China dropped slightly and the demand for coal remained weak. However, as benefited from the acquisition of Huameiao Energy, the production and sale of the Group grew steadily after the Group strengthening the coal production and strictly controlling the costs in response to the sluggish market conditions.

During the six months ended 30 June 2013, the pent-up capacity of the coal mines of Huameiao Energy and Ruifeng Coal continuously released. The production volume of coal of Huameiao Energy and Ruifeng Coal were 2,025,000 tonnes and 501,000 tonnes, respectively, contributing to the increase in the amount of the profit, the gross profit margin and the positive cash flow of the coal business segment. The Group's handling and trading volume of coal during the six months ended 30 June 2013 recorded an increase as compared to the same period in 2012. However, because of various negative market factors, the gross profit margin of logistics and coal trading business was affected, albeit that the Group recorded another record high in coal handling and trading volume of 10,177,000 tonnes, representing an increase of 21.7% as compared to the same period in 2012.

As of 30 June 2013, the Group owned and operated six coal mines in China and has equity interest in one company listed in Australia engaging in the coal mining business. The table sets forth certain information about these coal mines.

				As of 30 June 2013		
	Location	**Ownership**	**Site area** *(sq. km)*	**Operation status**	**Total coal reserves** *(million tonnes)*	**Total coal resources** *(million tonnes)*
Huameiao Energy – Xingtao Coal *(Note 1)*	Shuozhou Shanxi	80%	4.3	Under operation	79	117
Huameiao Energy – Fengxi Coal *(Note 1)*	Shuozhou Shanxi	80%	2.4	Under operation	47	75
Huameiao Energy – Chongsheng Coal *(Note 1)*	Shuozhou Shanxi	80%	2.9	Under operation	48	77
Ruifeng Coal	Datong Shanxi	87.88%	2.7	Under operation	n.a.	66 *(Note 2)*
Xinglong Coal *(Note 3)*	Xinzhou Shanxi	100%	4.0	Under development	32	46
Hongyuan Coal *(Note 3)*	Xinzhou Shanxi	100%	4.1	Under operation	36	52
Tiaro Coal	Australia	19.88%	n.a.	Under exploration	n.a.	n.a.

Notes-

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 30 June 2013, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 30 June 2013 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2013.

The total coal reserves represent proven and probable reserves. Details are summarised as follows:

	Coal reserves *(million tonnes)*		
	Proved	**Probable**	**Total**
Xingtao Coal	65	14	79
Fengxi Coal	20	27	47
Chongsheng Coal	30	18	48
Total	115	59	174

(2) As of 30 June 2013, the total estimated raw coal resources of Ruifeng Coal under PRC standard amounted to approximately 66.0 million tonnes (representing the estimated raw coal reserves reported by a PRC mineral industry consultant as of 30 September 2011 and after deduction of the raw coal production volume for the period from 1 January 2013 to 30 June 2013).

(3) The Group completed the establishment of two companies, Xinglong Coal and Hongyuan Coal, both wholly-owned by Shenchi Shenda Energy Investment Co., Ltd. during the first half year of 2013.

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 31 May 2013 in accordance with the JORC Code.

Pursuant to the estimation, the coal reserves and resources of two coal mines were 68 million tonnes and 98 million tonnes (after deduction of the raw coal production volume for the period from 1 June 2013 to 30 June 2013) respectively.

The total coal reserves represent proven and probable reserves. Details are summarised as follows:

	Coal reserves *(million tonnes)*		
	Proved	**Probable**	**Total**
Xinglong Coal	22	10	32
Hongyuan Coal	20	16	36
Total	42	26	68

The following table sets forth the historical full-year production figures at the abovementioned mines for the periods indicated:–

Raw coal production volume	**Six months ended 30 June 2013**	Year ended 31 December 2012	2011
	('000 tonnes)	*('000 tonnes)*	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,323**	2,075	2,800
Huameiao Energy – Fengxi Coal	**1,409**	1,851	1,862
Huameiao Energy – Chongsheng Coal	**384**	1,726	486
Ruifeng Coal	**501#**	1,052*	300*
Hongyuan Coal	**251#**	–	–
Total	**3,868**	6,704	5,448

Commercial coal production volume	**Six months ended 30 June 2013**	Year ended 31 December 2012	2011
	('000 tonnes)	*('000 tonnes)*	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**860**	1,349	1,820
Huameiao Energy – Fengxi Coal	**916**	1,203	1,210
Huameiao Energy – Chongsheng Coal	**249**	1,122	316
Ruifeng Coal	**501#**	1,052*	300*
Hongyuan Coal	**251#**	–	–
Total	**2,777**	4,726	3,646

* These represented development coal produced from construction of the coal mines.

\# No washing process is applied to the coal produced by Ruifeng Coal and Hongyuan Coal.

According to the competent person's report issued on 30 September 2011, the volume of Huameiao Energy's commercial coal is calculated by a yield rate of 65% of raw coal.

Expenditure on exploration, mining and development activities for the six months ended 30 June 2013 were RMB266.2 million.

Liquidity, Financial Resources and Capital Structure

The Group adopts stringent financial management policies and maintains a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank borrowings.

As of 30 June 2013, the Group recorded net current liabilities of RMB2,522.7 million which were mainly due to the addition of coal mining rights and the reclassification of prepayments to property, plant and equipment related to the newly established Xinglong Coal and Hongyuan Coal, and the reclassification of some of the non-current bank loans as current bank loans.

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group has also engaged in active discussions with several banks as to the raise of medium-term loan, which were indicated in previous announcement dated 22 May 2013.

The management has taken initiative to strengthen the Group's working capital cycle during the period. As of 30 June 2013, the cash and bank balances of the Group amounted to RMB719.0 million (as of 31 December 2012: RMB1,190.5 million), representing a decrease of 39.6% as compared with the balance as of 31 December 2012. The decrease in cash and bank balances was mainly due to the then Group's determination to preserve cash in December 2012 to repay the current portion of some long-term loans in early 2013, and increase in domestic purchase which more bank deposits are pledged to the banks. The cash level as of 30 June 2013 was in line with the Group's policy.

As of 30 June 2013, the total bank and other borrowings of the Group were RMB8,863.8 million (as of 31 December 2012: RMB7,273.4 million), RMB6,102.2 million of which were repayable within one year and carried interest at market rates ranging from 1.30% to 8.52% (31 December 2012: 1.21% to 8.00%) per annum.

Non-current secured bank loans as of 30 June 2013 and 31 December 2012 carried at variable and fixed interest rates.

As of 30 June 2013, the Group had total banking facilities of RMB15,085.2 million (as of 31 December 2012: RMB13,497.5 million), of which RMB8,574.3 million or 56.8% (as of 31 December 2012: RMB8,461.3 million or 62.7%) were utilised.

As of 30 June 2013, the Group's cash and cash equivalents, except amounts of RMB1.4 million and RMB59.8 million which were held in Hong Kong dollars and United States dollars, respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB, United States dollars and Hong Kong dollars were RMB8,487.8 million, RMB357.9 million and RMB18.2 million, respectively.

The gearing ratio (calculated as interest-bearing borrowings netted off sum of cash and cash equivalents and pledged deposits divided by total assets) of the Group as of 30 June 2013 was 35.0% (as of 31 December 2012: 24.4%).

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held in RMB, Hong Kong dollars and United States dollars. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in United States dollars. The Group's subsidiaries usually receive revenue in RMB.

Pledge of Assets of the Group and Guarantee

As of 30 June 2013, the Group's assets in an aggregate amount of RMB8,357.9 million (as of 31 December 2012: RMB7,416.2 million) in forms of property, plant and equipment, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As of 30 June 2013, Mr. XU Jihua, the chairman of the Board and an executive Director, provided guarantees to banks for granting banking facilities of an amount equivalent to 4,886.8 million (as of 31 December 2012: RMB3,870.8 million) to the Group. The personal guarantees of Mr. XU has been reduced to 4,368.7 million as of the date of this announcement.

CONTINGENT LIABILITIES

As of 30 June 2013, the Group did not have any material contingent liabilities.

BUSINESS OUTLOOK

China's economy is entering into a transition period from the previous high-growth economy to a medium-growth stage. It is expected that China's economy will see stability in overall operation, progress through stability in structural adjustment and upgrading with stability in transformation, while the inventory of the major coal sectors in the PRC gradually used in the second half of the year. It is also expected that the growth of gross domestic product ("**GDP**") in China would be higher than most of the developed countries around the world and that the coal inventory will remain the most cost-efficient consumption energy in the foreseeable future. Therefore, the Directors are cautiously optimistic about the future of the coal sector in China.

Since the Group is an operator in coal sector providing services emerging from the geographical disparity and the transportation bottlenecks and has six quality coal mines in Shanxi Province, the Directors believe that the Group's business shall continue to have the competitive advantages to capture the following market opportunities:

(1) China is the largest coal consumption and production country in the world. Demand on coal for four major industries, namely power industry, metallurgy industry, chemical industry and construction materials accounts for approximately 70% of total coal consumption, of which coal consumption of electricity industry (thermal coal) accounts for more than 50% of total consumption. In the context of overcapacity, an integrated coal enterprise producing high quality coal with low cost will be the core competitiveness. Backward production capacity will be inevitably phased out in the near future. Huameiao Energy has the required operational scale in Shanxi Province, in which the Xingtao coal mine operated by Huameiao Energy was a Grade 1 Safety Demonstration Mine appraised by China National Coal Association. An integrated logistic supply chain will help the Group effectively overcome adversities and obtain good operating results;

(2) The price of thermal coal in coastal cities will be supported by favorable seasonal factors. The Directors expect that the demand for coal will gradually maintain a steady growth in the second half of 2013.

(3) Various measures for supporting growth have been launched by the People's Government of Shanxi Province, including the suspension of the charges of the "environmental restoration fund" of RMB10 per tonne and the "coal mine transformation fund" of RMB5 per tonne from 1 August 2013 to 31 December 2013. As a result, the Group will improve its cash flow more efficiently and enhance our competitive edge in the future.

In view of the anticipated stable demand for coal, the Group will continue to improve its business model with the following initiatives:

Integration of Huameiao Energy to ensure a stable supply of coal

Upon successful acquisition of Huameiao Energy, the Group is benefited from stable coal supply, higher gross profit margin and strong cash flow. With the growing coal production from Huameiao Energy, the Group can provide sufficient coal to meet the demand from the clients which require stable source of coal supply. The Group also operates an integrated logistic network which allows ample absorption and realisation of the coal produced. The Directors expect that the gross profit margin of the Group will continue to improve with the increasing portion of self-produced coal. The strong cash flow of the Group also enables the Group to improve its working capital position. This vertical integration strategy enhances the Group's competitiveness and further strengthens the relationship between the Group and its customers.

Developing new selling model and expansion of the customer base

In addition to maintaining the well-established business relationship, the Group has proactively taken the initiative to increase the coal sales to new and existing customers. Many of the Group's customers are large scale Stated-owned enterprises in China operating power plants in China. Since the Group only supplies coal to a small part of the total coal required by these clients, the Group will continue to boost the coal sales to these existing customers. Moreover, by using Taizhou port, Rugao port, Zhenhai port and Huangpu port in Eastern China, and Nansha port and Zhuhai port in South China as the transit bases, the Group will further expand its customer base "from sea to river" (from coastal areas to the river banks of Yangtze River and Pearl River).

During the first half of 2013, the Group tried its utmost to enhance the joint and strategic cooperation with large upstream and downstream customers. Benefit from the cancellation of the price intervention of power coal by the National Development and Reform Commission and the emerging opportunity of completing open marketization of coal trading in the PRC, the Group will continue to fully utilise the opportunities to maintain a rapid and quality growth. The Directors are confident that with their joint efforts, they could bring the Group's operation in the second half of 2013 to an upper level.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") in accordance with the requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes and internal controls.

An Audit Committee meeting was held on 29 August 2013 to review the unaudited interim financial report for the six months ended 30 June 2013. KPMG, the Group's auditor, had carried out a review of the unaudited interim financial results for the six months ended 30 June 2013 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company was in full compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2013.

EMPLOYEES AND REMUNERATION

As of 30 June 2013, the Group employed 1,828 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff with outstanding performance.

Members of the Group established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labor and social welfare laws and regulations, members of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Members of the Group incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, a pre-IPO share option scheme was adopted in June 2009 to retain employees who have made contribution to the success of the Group. As of 30 June 2013, there were outstanding share options to subscribe for 14,000,000 ordinary shares of the Company ("**Shares**") in aggregate granted under the pre-IPO Share Option Scheme to an executive Director and 20 employees of the Group. On 17 January 2012, the Company has further granted share options to 15 employees to subscribe for a total of 20,751,196 Shares under the Share Option Scheme adopted on 12 June 2009. As of the date of this announcement, there are share options outstanding to subscribe for 29,192,840 Shares. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CASH INTERIM DIVIDEND

The Board has resolved to declare a cash interim dividend of HK cent 1.0 per Share, representing 73.7% of the Group's profit available for distribution for the period ended 30 June 2013. The interim dividend will be paid by way of Hong Kong dollars on or about 25 November 2013 to members whose names appear on the register of members of the Company on 4 November 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 November 2013 to 4 November 2013, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 31 October 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

By Order of the Board
China Qinfa Group Limited
XU Jihua
Chairman

Guangzhou, 29 August 2013

As of the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Ms. LIU Xiaomei and Mr. WENG Li as the executive Directors and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying as the independent non-executive Directors.